

## DRAFT

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Telecommunications Division  
Public Programs BranchRESOLUTION T-17042  
July 20, 2005R E S O L U T I O N

**Resolution T-17042. Approval of Fiscal Year 2007-08 Universal Lifeline Telephone Service Trust Administrative Committee Fund Budget in Compliance with Public Utilities Code Sections 270(A)**

---

Summary

This Resolution adopts a budget of \$287.046 million for the Universal Lifeline Telephone Service Trust Administrative Committee Fund (ULTS Fund) for fiscal year (FY) 2007-08. The FY 2007-08 adopted budget is \$2.838 million less than the adopted budget of FY 2006-07.<sup>1</sup>

Background

The Universal Lifeline Telephone Service (ULTS) program was implemented by the California Public Utilities Commission (CPUC or Commission) in 1984 pursuant to Public Utilities (PU) Code § 871. This program provides discounted basic telephone services to qualifying households whose incomes are below 150% of the federal poverty guidelines. Currently, 3.5 million customers are enrolled in the program. Starting July 1, 2006, new eligibility guidelines for participation in the ULTS program will take effect. Under the new procedure, customers' eligibility criteria for availing of ULTS discounts are either program-based or income-documented. Furthermore, instead of telecommunications carriers, qualification of customers will be performed by the Commission through a third-party administrator. These program changes were approved by the Commission in D.05-04-026.

---

<sup>1</sup> The FY 2006-07 budget of \$289.884 million was adopted by the Commission in Resolution T-16953 in September 2005.

DRAFT

**ULTSAC**

On May 24, 2005, the ULTS Trust Administrative Committee (Committee) held a public meeting and approved a proposed budget for the ULTS program for FY 2007-08 in the amount of \$255.376 million. This proposed amount was based on FY 2006-07 adopted budget and updated with FY 2007-08 ULTS projected claims received by the Commission's Telecommunications Division (TD) from 31 telecommunications carriers. The Committee submitted the proposed budget to the Commission in accordance with Paragraph 4.a.1 of its Charter on May 31, 2006.

**Notice/Protests**

The Committee's proposed budget was noticed on the Commission's Daily Calendar on June 5, 2006 stating that any comments and/or protests must be made in writing and received by the Director of TD within 20 days from the posting date.

**Discussion**

This Resolution adopts a ULTS program budget of \$287.046 million for FY 2007-08.<sup>2</sup> The table below compares the FY 2007-08 budgets proposed by the Committee, proposed by TD, and adopted in this Resolution:

	FY 2007-08 Committee's Proposed Budget (\$ millions)	FY 2007-08 TD's Proposed Budget (\$ millions)	FY 2007-08 Adopted Budget (\$ millions)
Carrier Claims	\$238.000	\$262.500	\$262.500
Administrative Committee Costs	\$.036	\$.036	\$.036
CPUC Staff and Administrative Costs	<u>\$17.340</u>	<u>\$24.510</u>	<u>\$24.510</u>
Total Program Expenditure	<u>\$255.376</u>	<u>\$287.046</u>	<u>\$287.046</u>

Itemized costs of the above budgets are set forth in Appendix A and discussed below:

---

<sup>2</sup> This budget is based on current the program structure being applicable for FY 2007-08.

DRAFT

A. Carrier Claims

TD increased the carrier claims proposed by the Committee to \$262.5 million. The increase of \$24.5 million reflects claims of 4 carriers which currently receive ULTS reimbursement but failed to submit their projections prior to the Committee's May 24 meeting. The overall FY 2007-08 projected carrier claim is \$10.5 million lower than that for FY 2006-07.<sup>3</sup> TD believes a lower carrier estimated claim for FY 2007-08 is reasonable because of:

- a lower customer participation rate due to the stricter qualification criteria;
- a lower incremental operating cost claim due to the transfer of customer qualification responsibility to the Commission; and
- a lower program implementation cost since program changes pursuant to D.05-04-026 will be fully implemented prior to FY 2007-08.

B. Administrative Committee Costs

The Charter requires the Committee to meet monthly<sup>4</sup> and prescribes reimbursement for per diem and expenses to members who are not employees of carriers, the Commission, or other governmental agencies of the State of California.<sup>5</sup> The Committee and TD's proposed cost of \$36,000 for FY 2007-08 will cover reimbursement for five committee members and 12 meetings, and is consistent with reimbursement guidelines set forth in the Charter.

C. CPUC Staff and Administrative Costs

TD's proposed expenditures for CPUC staff and administrative costs of \$21.510 million reflect an increase of \$4.662 million from that of FY 2006-07.<sup>6</sup> Increased expenditures are projected for staff costs, the marketing and outreach contracts, and the third-party administrator contract while decreases are projected for audit fees, interagency costs and banking fees. Major proposed changes are explained below:

- Staff Costs: Past State Annual Budget Acts limited the amount of staff costs that the Commission may charge to the ULTS Fund irrespective of actual resources assigned

---

<sup>3</sup> Resolution T-16593 adopted a budget of \$273 million for carrier claims.

<sup>4</sup> At Section 5.1 of the Charter.

<sup>5</sup> At Section 3.8 of the Charter.

<sup>6</sup> Resolution T-16593 adopted a total budget of \$16.848 million for CPUC staff and administrative costs.

DRAFT

for program administration. The proposed increase from \$540,000 for FY 2006-07 to \$750,000 for FY 2007-08 reflects a higher allocation of staff costs and program priorities.

- **Third-Party Administrator Contract:** The term of the existing contract ends on June 30, 2008. To ensure a seamless change of contractors, a new contract commencing FY 2008-09 will be entered in FY 2007-08 and charged against the FY 2007-08 budget. In anticipation of an additional contract, TD increased the budget associated with the third-party administrator contract from \$8 million for FY 2006-07 to \$16 million for FY 2007-08.
- **Pro Rata Interagency Costs:** These costs represent the program's contribution to the statewide general administrative costs of central service agencies such as Department of Finance, Office of the State Controller, State Personnel Board, and Legislature. The projected Pro Rata of \$930,000 for FY 2007-08 is based on the program's contribution for FY 2006-07 proposed in the Governor's budget.

TD's projected CPUC staff and administrative costs of \$21.510 million are reasonable and should be adopted.

**Comments**

In compliance with PU Code Section 311(g), a Notice of Availability (Notice) was emailed to parties of record in R.04-12-001, incumbent and competitive local exchange carriers, and members of the Committee on June 20, 2006. This Notice advises parties that the draft of this Resolution is accessible on the Commission's web site ([www.cpuc.ca.gov](http://www.cpuc.ca.gov)) and is available for comments in accordance with PU Code Section 311(g).

Comments filed on a timely basis will be addressed by TD in this resolution.

DRAFT

**Findings**

- 1) Complying with its chartered responsibility, on May 31, 2006, the Universal Lifeline Telephone Trust Administrative Committee (Committee) submitted to the California Public Utilities Commission (Commission) a proposed fiscal year (FY) 2007-08 budget for the Universal Lifeline Telephone Service Trust Administrative Committee Fund in the amount of \$255.376 million.
- 2) The Committee's proposed budget was noticed on the Commission's Daily Calendar on June 5, 2004 stating that any comments and/or protests must be made in writing and received by the Director of the Telecommunications Division within 20 days from the posting date.
- 3) The Commission's Telecommunications Division recommends a budget of \$287.046 million for FY 2007-08. This proposed budget is \$2.838 million less than the adopted budget for FY 2006-07 and should be adopted.
- 4) A Notice of Availability was emailed on June 20, 2006, to parties of record in R.04-12-001, incumbent and competitive local exchange carriers, and the committee members of the Committee advising them that the draft of this Resolution is accessible on the Commission's web site ([www.cpuc.ca.gov](http://www.cpuc.ca.gov)) and is available for comments in accordance with PU Code Section 311(g).

**THEREFORE, IT IS ORDERED that:**

- 1) This resolution adopts a Universal Lifeline Telephone Service Trust Administrative Committee Fund budget of \$287.046 million for fiscal year 2007-08 as set forth in Appendix A of this resolution.

DRAFT

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on July 20, 2006. The following Commissioners approved it:

---

STEVE LARSON  
Executive Director

APPENDIX A

**UNIVERSAL LIFELINE TELEPHONE SERVICE**  
**(\$ in Millions)**

		<b>FY 2006-2007</b>	<b>FY 2007-08</b>	<b>FY 2007-08</b>	<b>FY 2007-08</b>
		<b><u>Adopted</u></b> <b><u>Budget</u></b> <b><u>(Res T-16593)</u></b>	<b><u>Committee's</u></b> <b><u>Proposed</u></b> <b><u>Budget</u></b>	<b><u>TD's</u></b> <b><u>Proposed</u></b> <b><u>Budget</u></b>	<b><u>Adopted</u></b> <b><u>Budget</u></b>
<b>A</b>	<b>Carrier Claims:</b>				
1	Carrier Claims	<u>\$273,000</u>	<u>\$238,000</u>	<u>\$262,500</u>	<u>\$262,500</u>
2	Sub-Total	\$273,000	\$238,000	\$262,500	\$262,500
<b>B</b>	<b>Administrative Committee Costs:</b>				
1	Administrative Committee-Per Diem	\$18	\$18	\$18	\$18
2	Administrative Committee-Travel	\$18	\$18	\$18	\$18
	Administrative Committee-Other				
3	Costs	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
4	Sub-Total	\$36	\$36	\$36	\$36
<b>C</b>	<b>CPUC Staff and Admin Costs:</b>				
1	Staff Costs	\$540	\$540	\$750	\$750
2	Pro-Rata Interagency cost	\$1,500	\$1,500	\$930	\$930
3	Marketing/Call-Center	\$5,508	\$6,000	\$6,000	\$6,000
4	3rd Party Administrator	\$8,000	\$8,000	\$16,000	\$16,000
5	Audits	\$1,200	\$1,200	\$750	\$750
6	Banking Fees	\$50	\$50	\$30	\$30
7	Data Processing Automation	<u>\$50</u>	<u>\$50</u>	<u>\$50</u>	<u>\$50</u>
8	Sub-Total	\$16,848	\$17,340	\$24,510	\$24,510
<b>D</b>	<b>Total Program Budget</b>	<b>\$289,884</b>	<b>\$255,376</b>	<b>\$287,046</b>	<b>\$287,046</b>